

SUBCOMMITTEE NO. 5

Agenda

Senator Denise Moreno Ducheny, Chair
Senator Robert Dutton
Senator Alex Padilla



Thursday, April 30, 2009
9:30 a.m. or Upon Adjournment of Session
Room 113

Consultant: Bryan Ehlers

Item Number and Title

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0559 Labor & Workforce Development Agency

The Labor and Workforce Development Agency (LWDA) brings together the departments, boards, and commissions, which train, protect, and provide benefits to employees. The LWDA is primarily responsible for three different types of functions: labor law enforcement, workforce development, and benefit payment and adjudication. The LWDA includes the Department of Industrial Relations, the Employment Development Department, the Agricultural Labor Relations Board (which is heard in Subcommittee #2), and the Workforce Investment Board and is funded through reimbursements from those departments. The LWDA provides policy and enforcement coordination of California's labor and employment programs and policy and budget direction for the departments and boards.

The Governor's Budget proposes 17.0 positions (no new positions) and \$4.7 million in expenditures (an increase of approximately \$1.8 million). The LWDA is primarily funded through reimbursements from the various departments under its purview; however, the proposed 2009-10 budget contains approximately \$2 million in expenditures from the Labor and Workforce Development Fund, which was established to fund efforts aimed at educating the employers and employees about their rights and responsibilities under labor law and which is supported by revenues from penalty assessments.

DISCUSSION ITEM:

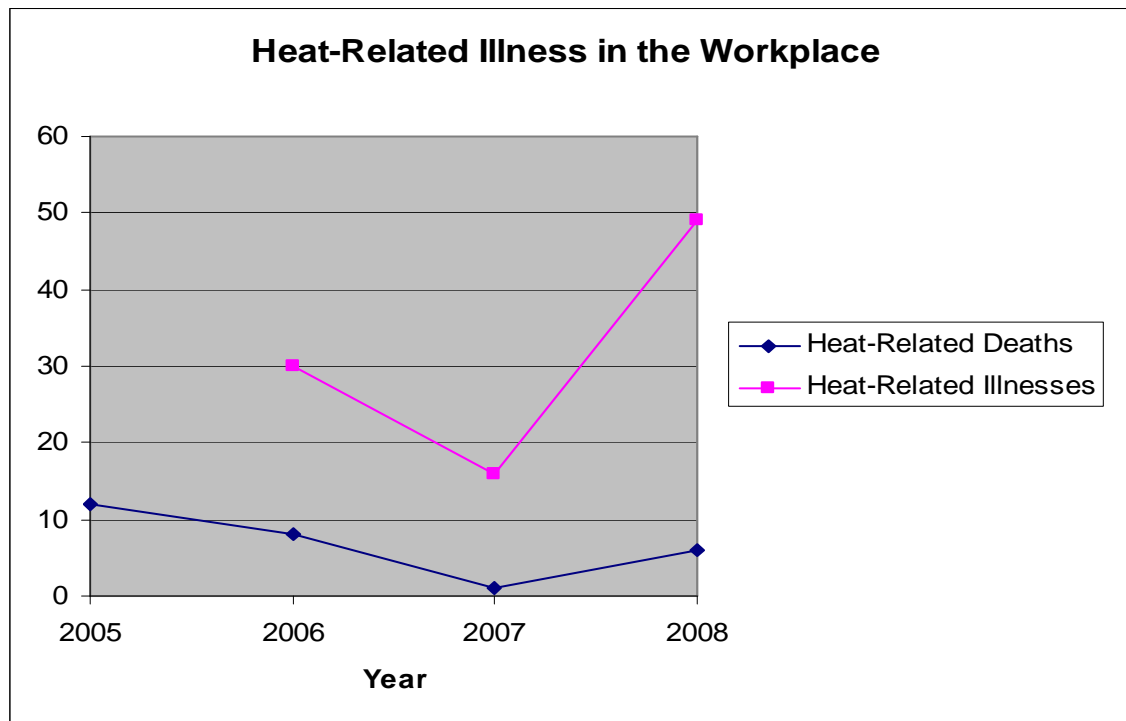
1. BCP-1: Heat Illness Prevention Campaign. The LWDA requested \$1.5 million (Labor and Workforce Development Fund) in fiscal year 2009-10 (and \$1.4 million in 2010-11) to develop and implement a two-year media campaign designed to help prevent heat illness in the workplace.

2009-10 Enacted Budget. Contains the \$1.5 million requested by the Governor.

Background. Following eight reported heat-related deaths in July 2005, the California Division of Occupational Safety and Health (Cal/OSHA) promulgated emergency regulations, which became permanent July 27, 2006, requiring employers to train all supervisors and employees about how to prevent heat illness and to provide access to shade for at least five minutes of rest when an employee believes he or she needs a preventative recovery period (before the employee feels sick). Additionally, the regulations refocused attention on existing law requiring that water be made available to every outdoor worker at all times.

Staff Comments. The LWDA notes that heat-related deaths in the workplace have fallen since adoption of new regulations; however, as depicted in Figure 1 (below), the trend line has not been entirely consistent year-over-year.

Figure 1



* Prior to the existence of the emergency standard which took effect on August 22, 2005, heat-related illness data was not collected in a standardized format.

In order to further reduce the occurrence of heat-related incidents in the workplace, the LWDA proposes to spend approximately \$2.9 million over two years from the Labor and Workforce Development Fund (Fund) for an educational media campaign. Staff notes that the Governor's Budget projected a current year reserve of \$2.7 million based on modest current year and out-year revenue projections of \$750,000 annually. Given significantly higher revenues in the current year to-date—\$3.9 million—the fund is more than able to support the proposed expenditures.

The LWDA provided the rough expenditure plan in Figure 2 (see the following page) as part of the Governor's Budget. The plan envisioned a target audience of largely Spanish-speaking adults age 18-54 engaged in agriculture, construction, landscaping, oil production, and outdoor manufacturing across four state regions (inland, desert, Central Valley, and coastal agricultural).

Staff notes that in the intervening months since the building of the Governor's Budget, the LWDA has put together a Request for Proposal (RFP) to identify the target and secondary target audience, respectively as follows: (1) working adults 18 and older, primarily Spanish-speaking, primarily immigrants, annual household income of less than \$50,000 with low-paying jobs at outdoor worksites; and (2) employers and front-line supervisors of outdoor workers. The RFP additionally requests a vendor to:

Develop and implement a comprehensive multi-media marketing campaign designed to best reach target audience; evaluate and track benchmarks for heat illness campaign; provide creative expertise and guidance for all aspects of marketing campaigns; negotiate all media placement; plan creative design for all

media, provide budgets and timelines for campaigns, along with qualitative and quantitative data; manage creative development, production, media placement, and staff, including subcontractors and vendors.

Figure 2

Expenditure	Line Item	Purpose
\$170,000 (one-time)	Creative	Strategy; and design production of TV, radio, and collateral materials
\$650,000	TV Airtime (English & Spanish)	Ads running in four regions throughout the summer at prime time and in the early morning (and more frequently during heat waves)
\$170,000	Radio Airtime (English & Spanish)	Ads running in four regions throughout the summer during commute hours (and more frequently during heat waves)
\$100,000	Spanish Language	Ads running specifically on Spanish television during prime time novellas and radio during commute hours
\$240,000	Bus Production & Installation	English and Spanish cards inside buses (and possibly some exterior displays) on highly traveled routes throughout the summer in four regions of the state
\$200,000	Outdoor Production & Placement	Signs and billboards placed along highly traveled commuter routes throughout the summer in four regions of the state

Committee Questions. Based on the above expenditure plan, the Committee may wish the Administration to respond to the following questions.

- What recent steps have LWDA and Cal/OSHA (Department of Industrial Relations) taken to ensure adequate enforcement of labor code laws? For example, as of May 2008, there was a nine percent vacancy rate among Cal/OSHA inspectors. Has this number improved, and what, if anything, is the department doing to address the issue?
- Has the LWDA conducted a media campaign like this in the past? What was the basis for the above level and allocation of resources? For example, the LWDA indicates that the cost estimate for this proposal was based in-part on the “Spare the Air” campaign. Did the LWDA consult that campaign or others in order to determine what practices were most effective in educating the public?
- How does the LWDA plan to measure the effectiveness of the proposed campaign in order to better inform future state expenditures of this nature?

Staff Recommendation: NO ACTION necessary.

7100 Employment Development Department

The Employment Development Department (EDD) administers services to employers, employees, and job seekers. The EDD pays benefits to eligible workers who become unemployed or disabled, collects payroll taxes, administers the Paid Family Leave Program, and assists job seekers by providing employment and training programs under the federal Workforce Investment Act of 1998. In addition, the EDD collects and provides comprehensive labor market information concerning California's workforce.

The Governor's Budget proposes 9,793.6 positions (754.7 new positions, including approximately 600 for state operation of the Unemployment Insurance program) and \$14.5 billion in expenditures (a decrease of approximately \$1.7 billion, primarily in the Unemployment Fund, reflecting the fluctuation in unemployment benefits expected to be paid out in the budget year relative to the current year).

VOTE-ONLY ITEMS:

1. FL: Deferment of Interest on Federal Unemployment Trust Account (FUTA) Loans. The Governor requests a reduction of \$20.2 million in EDD Contingent Fund expenditure authority in recognition of the fact that the recent federal stimulus package provides for deferment of interest payments and interest accrual (until December 31, 2010) on FUTA loans provided to states with insolvent unemployment funds. The enacted 2009-10 budget anticipated the need to make \$20.2 million in federal interest payments, but these monies, if unexpended at year's end, will now be available for transfer to the GF.

2. FL-1: Disability Insurance Automation (DIA) Project Budget Bill Language (BBL). The Governor requests BBL in order to allow a mid-year adjustment to DIA expenditure authority after evaluation and selection of the System Integrator vendor is concluded and project costs are updated. The selection process and a post-vendor-procurement Special Project Report will not be completed within the timeframe of the budget process. The language proposed for addition to Item 7100-001-0588 is as follows:

Provisions:

- X. (a) Of the funds appropriated in this item, \$11,261,000 is to support the development of the Disability Insurance Automation (DIA) Project. These funds may not be used for items outside the approved project scope. Changes in the project scope must receive approval using the established administrative and legislative reporting requirements.
- (b) The Director of Finance is authorized to increase or decrease this item to fund DIA implementation workload upon receipt of a new post-vendor procurement special project report. Notwithstanding any other provision of law, any adjustment under this provision shall be authorized not sooner than 30 days after notification in writing to the chairpersons of the fiscal committees of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.
- (c) The Department of Finance shall report to the Legislature the number of positions to be administratively established for the Employment Development Department.

Staff Recommendation: APPROVE Vote-Only Items #1 and #2.

VOTE:

DISCUSSION ITEMS:

1. Informational Issue: Unemployment Insurance Automation. Hundreds of thousands of unemployed workers rely upon the EDD Unemployment Insurance (UI) Program each week to timely process their unemployment claims and benefits. In addition to efforts currently underway to improve current service levels—by upgrading the information technology (IT) supporting UI call centers and redesigning the claims processing system—the EDD is also preparing to convert the aging database that currently serves both the UI and Disability Insurance (DI) programs. Among other things, this will enable the EDD to implement the recently adopted Alternative Base Period (ABP) for calculation of UI benefit eligibility (Chapter 23, Statutes of 2009; ABX3 29, Coto and Garrick).

The American Recovery and Reinvestment Act of 2009 (ARRA) made UI administrative grants available to states for various purposes such as implementing federal options (like ABP), and California is set to receive its share of these funds (approximately \$60 million). The EDD indicates it will soon submit a plan to use those funds, including approximately \$20 million to fund the database conversion and another \$4 million or more for implementation of the ABP.

Staff Comments. Various UI automation projects are discussed in more detail below; however, a brief background on the UI program precedes for the sake of context.

UI Background

The UI program is a federal-state program authorized in federal law but with broad discretion for states to set benefit and employer contribution levels. The program is financed by unemployment tax contributions paid by employers for each covered worker, and provides weekly unemployment insurance payments to eligible workers who lose their jobs through no fault of their own. To be eligible for benefits, a claimant must be able to work, be seeking work, and be willing to accept a suitable job.

Each year, the UI program collects billions of dollars in payroll taxes and cuts billions of dollars in benefit checks for hundreds of thousands of unemployed Californians. This year, record numbers have accessed the system due to the poor economy. As depicted in Figure 1 (below), the statewide unemployment rate recently surpassed 11 percent, and, in the month of January 2009 alone, an all-time record 525,000 initial claims and extensions were filed.

Figure 1

California Unemployment Quick Facts (from edd.ca.gov – as of March 2009)		
	Workforce Population	Percent of Workforce
CA Civilian Labor Force	18.6 million	100%
Unemployed	2.1 million	11.2%
Unemployed and Eligible for UI Benefits	~1 million	5.1%

UI Automation Efforts

The historic highs in workload discussed above have taxed California's UI system, which has been undergoing incremental improvement (see "UIMOD" discussion below) but still relies heavily on outdated technology such as a legacy database system programmed in COBOL, a dying language first developed in 1959. As was heavily publicized this winter, EDD call centers were completely swamped by call traffic during peak periods in late 2008 and early 2009, with desperate, unemployed Californians dialing and re-dialing for hours in attempts to access service. These problems were not helped, and in some cases were exacerbated, by the limitations of the existing IT. For example, the current call center network is not flexible enough to allow a caller to one of six centers to be transferred to an adjudication center. Rather, the caller must hang up and begin dialing again from the back of a new queue. Other limitations stem from the difficulty of making any system upgrades involving newer technologies "work" with the existing COBOL system—to say nothing of the challenge of finding programmers still fluent in the dying language. As case in point, when the federal government recently approved a \$25 per-week benefit augmentation, the EDD was short of COBOL programmers to implement the necessary system changes. In order to make the additional funds immediately available, the EDD utilized a set of program changes that had not been fully tested, with the result being that the system was incapable of re-writing any lost checks.

Currently, the EDD is engaged, or about to embark on, the following UI IT projects:

- 1) **UIMOD** – The UI Modernization Project (UIMOD) was first initiated using federal Reed Act funds received in March 2002 for the support of UI automation projects, and encapsulates two sub-projects that are entirely federally funded and are both managed by the Office of Systems Integration (OSI) within the Health and Human Services Agency:
 - **Call Center Network Platform and Applications Upgrade (CCNPAU).** The CCNPAU will allow adjudication centers to handle incoming UI calls, improve customer access to call center agents, and assist the EDD in meeting federal and state service-level objectives and performance measures. The system will additionally provide the EDD with information to better detect identity fraud, and with detailed information for trend analysis to improve call handling, system efficiency, and agent productivity. The CCNPAU is currently scheduled for deployment in August 2010, with system acceptance set for February 2011.
 - **Continued Claims Redesign (CCR).** The CCR will provide alternate ways for clients to certify for benefits using the telephone and the internet. The project will also redesign the UI payment programs, allowing the agents to interact with claimants during the certification process and collect additional information needed to verify a claimant's identity. A new database will allow the collection of information not currently available for client screening, profiling, and detecting potential fraud. The CCR is currently scheduled to award a contract in November 2009, with final system acceptance set for April 2013.

Staff notes that, based on original timelines, both of the components of UIMOD discussed above would have been completed already (CCNPAU by late 2006; and CCR by mid-2008); however, both projects have been beset at various times

by delays. Most notably, the projects were merged mid-stream into a single project, requiring a 13 month-delay. After a Request for Proposal (RFP) was completed on the unified project, the EDD and Department of General Services requested 14 amendments to the RFP, including the decision to split the project in two again (in May 2007), and this led to a 14-month delay. All told, UIMOD has now been delayed 4.5 years. The Committee may wish to inquire as to the current status of UIMOD and ask the EDD to briefly comment on lessons learned.

- 2) ***Single Client Database Conversion*** – The EDD is in the process of converting its Single Client Database, which was implemented in 1986 (based on 1970s technology) and supports both the UI and Disability Insurance (DI) programs. According to EDD staff, this database causes “90 percent” of the problems currently encountered by the department in updating its IT UI and DI systems. The conversion, which is poised to begin after a successful pilot conversion this past winter, is expected to take approximately 1 1/2 years and will provide the UI and DI programs with a “relational” database that will pave the way for other legacy updates as the EDD continues to phase-out its COBOL systems. The EDD anticipates using approximately \$20 million of the \$60 million available through ARRA to execute the conversion—details to follow in the May Revise.

Staff notes that this database conversion is necessary before the EDD can adopt the system changes necessary to implement the ABP (discussed in more detail below). According to EDD staff, the primary challenge in terms of workload (and therefore time) is in converting the massive amount of existing data—most of which must occur before the project can “go live.” Given that the existing database is a major roadblock to implementing additional improvements to the UI program, staff has explored with the EDD the possibility of further expediting the completion of the conversion; however, EDD staff indicate that, regardless of the availability of additional resources (i.e., federal ARRA funds), the speed with which database conversion can be carried out is constrained by certain limitations of the existing system. For example, the current mainframe environment where the Single Client Database resides is shared by 35 other departments, and can only support a limited number of EDD users at any given time and only for a portion of the day (i.e., not 24/7). In order to work to the maximum of the systems capabilities and complete the conversion as timely as possible, the EDD indicates it plans to hire additional outside help to augment its COBOL staff and supplement its data conversion expertise.

- 3) ***Alternative Base Period Modifications*** – As noted earlier, the EDD indicates a plan will be forthcoming in the May Revise to use approximately \$4 million to implement the system changes necessary to process UI claims based on the newly adopted ABP (per ABX3 29). The EDD estimates this implementation would require approximately six months upon successful conversion of the Single Client Database, assuming other factors such as additional federal UI extensions do not require additional time and resources.

While the Legislature awaits a more detailed plan on the database conversion and ABP modifications, staff notes that the Administration has not yet provided an expenditure plan for the remaining ~\$36 million in ARRA UI administration grants. One option under discussion is to implement a system for electronic benefit

payments (e.g., direct deposit). Whatever the proposed plan, the Committee will want to carefully weigh the benefits versus the cost (particularly since the federal funds are one-time only). For example, between 30,000 and 60,000 additional workers, particularly those in seasonal jobs, are expected to qualify annually for UI benefits (totaling approximately \$70 million) under the ABP. This population is relatively small in relation to those eligible under the existing standard base period, but provides a useful basis for comparison in thinking about the marginal benefit of other proposed expenditures.

Governor Declares State of Emergency

In a proclamation made April 17, 2009 (see full text in Appendix A), the Governor declared a state of emergency and waived existing statutes and regulations, including advertising and competitive bidding requirements, in order to allow the EDD and the California Unemployment Insurance Appeals Board (CUIAB) to expeditiously contract for additional space, personnel, equipment, or services in order to "immediately and effectively increase [their] ability to assist the people making unemployment claims, contacting EDD, or appealing their claims."

Further, the Proclamation stated:

State agencies including but not limited to the State Office of the Chief Information Officer (OCIO), the Department of General Services, the Department of Personnel Administration, and the Department of Finance shall expedite project, contracting, budget, and personnel action review and approval processes so as to expedite the hiring of EDD and CUIAB staff and the implementation of EDD and CUIAB information technology projects designed to expand and enhance unemployment insurance services, and personnel to support these efforts.

The Committee may wish to ask the department how it intends to utilize this authority, particularly as it applies to expediting the projects identified above.

Committee Questions. Based on the comments above, the Committee may wish to ask the following questions:

- What is the current status of the UI call centers? For example, where is the EDD in the process of hiring additional staff, and what other steps are being taken to improve service levels?
- The recent federal UI benefit augmentation (\$25/week) and UI benefits extension created great challenges to the UI program. In terms of IT, has the EDD fully addressed these issues? What continuing or additional challenges does the department anticipate relative to the existing system, planned upgrades, changes in law, and/or the rising unemployment rate?
- In the case of each UI automation project identified in the agenda, what will be the impact to service?
- Given the extensive delays experienced by the UIMOD project, what lessons has the EDD learned that might prove beneficial on forthcoming UI automation projects?
- If the EDD plans to submit a May Revise proposal to use approximately \$24 million in UI automation funds on the database conversion and ABP

implementation, what options are under discussion for the use of the remaining \$36 million? Could they be used to help further expedite the database conversion?

- How, and to what end, does the Administration plan to use the expedited contracting process authorized under the Governor's recent proclamation?

Staff Recommendation: NO ACTION necessary. The Subcommittee should await additional detail on the EDD's plans in the May Revise.

2. Workforce Investment Act (WIA): 15-Percent Discretionary Funds. The WIA Program is a state-operated federal program which offers a comprehensive range of workforce development activities through statewide and local organizations. Available workforce development activities provided via One-Stop Career Centers in local communities benefit job seekers and employers, laid-off workers, youth, incumbent workers, new entrants to the workforce, veterans, and persons with disabilities. These activities range from self-assisted access to employment-related information to job skills training programs. The purpose of these activities is to promote an increase in the employment, job retention, earnings, and occupational skills of participants.

WIA dollars are divided into multiple pots of funding. The Adult and Youth funds are split 85 percent to the local boards and 15-percent for discretionary funds allocation by the Governor and Legislature. The Dislocated Worker funds are divided 60 percent to the local boards, 25 percent to "rapid response," and 15-percent for discretionary allocation by the Governor and Legislature.

2009-10 Enacted Budget. Contains the Governor's proposed allocation of the \$64 million in WIA 15-percent discretionary funds initially made available for state fiscal year 2009-10. Does not contain any of the roughly \$74 million in additional 15-percent funds made available in the ARRA.

Staff Comments. While the Legislature typically provides input into the allocation of WIA discretionary funds, the 2009-10 enacted budget adopted all of the Governor's 15-percent priorities without discussion. Although the Administration indicates that the May Revise will contain the final installment of the Governor's plan (including additional ARRA funds), the Committee may wish to go ahead and initiate a conversation about funding priorities by having the EDD explain the rationale behind the Governor's January 10 allocation.

A comparison of 2008-09 and 2009-10 WIA 15-percent discretionary allocations is contained in Appendix B. Staff notes that the middle column reflects Administration adjustments made mid-year as authorized in budget bill language. As highlighted in the shaded cells, the primary differences between the priorities of the 2008 Budget Act and those reflected in the Governor's subsequent adjustments are in the following categories, where reductions (-) or augmentations (+) of at least \$1 million have been made:

- Sector/Initiatives/Economic Stimulus (+)
- At Risk/Youthful Offender Gang Prevention (-)
- Health Care – Nurse Education Initiative (+)
- Critical Shortage Industries: Nurses/Healthcare/Infrastructure/Logistics (+)

- Parolee Services (California Department of Corrections and Parolee Services) (-)
- Governor's Award for Veterans' Grants (+)

Committee Questions. Based on the above (and the table contained in Appendix B), the Committee may wish to ask the following questions:

- In the categories receiving significant augmentations in the current year (noted above), how have additional funds been used and to what benefit? For example, have any of the efforts produced measurable benefits to employment or GF revenues?
- Why has the "At Risk/Youthful Offender Gang Prevention" line item been reduced so significantly?

Staff Recommendation: NO ACTION necessary. The Subcommittee should await additional detail on the Governor's WIA expenditure plan in the May Revise.

7350 Department of Industrial Relations

The objective of the Department of Industrial Relations (DIR) is to protect the workforce in California; improve working conditions; and advance opportunities for profitable employment. The DIR enforces workers' compensation insurance laws and adjudicates workers' compensation insurance claims; works to prevent industrial injuries and deaths; promulgates and enforces laws relating to wages, hours, and conditions of employment; promotes apprenticeship and other on-the-job training; assists in negotiations with parties in dispute when a work stoppage is threatened; and analyzes and disseminates statistics which measure the condition of labor in the state.

The Governor's Budget proposes 2,844.3 positions (including 26 new positions) and \$388.9 million in expenditures (a decrease of \$4.2 million). Approximately half of the DIR expenditures are from the Workers' Compensation Administration Revolving Fund, which is reduced slightly in the budget year relative to fiscal year 2008-09. Additionally, the DIR budget contains approximately \$66.9 million GF, which is about \$3 million less than in the current fiscal year.

VOTE-ONLY ITEM:

Trailer Bill Language: Mediation Services Reimbursement Authority. The Governor requests trailer bill language to authorize the DIR to seek and collect reimbursement from private and public sector employers, labor unions, and employee organizations for election, arbitration, and training and facilitation services provided by the department through its State Mediation and Conciliation Service (SMCS).

Staff Comment: This request would provide the statutory authority for the DIR to utilize the two limited-term positions and \$275,000 in reimbursement authority approved for the SMCS in the 2009-10 budget enacted in February. The positions are intended to help back-fill for the Governor's 10-percent reduction of the program in current fiscal year.

Staff Recommendation: APPROVE the trailer bill language.

VOTE:

DISCUSSION ITEM:

FL-1: Public Works Labor Compliance Program. The Governor requests 10 positions and \$1.3 million (State Public Works Enforcement Fund) to support start-up activities, including promulgation of regulations and the development of a program structure, for enforcement of prevailing wage laws on public works projects under the Public Works Labor Compliance Program authorized by Chapter 7, Statutes of 2009 (SBX2 9, Padilla). The State Public Works Enforcement Fund was created to support SBX2 9 activities and will derive its revenue entirely from fees assessed on public works projects; however, the Governor proposes to "seed" start-up activities with a GF loan of \$1.3 million in both fiscal year 2009-10 and 2010-11 (until fee revenue begins to flow). The loan would be repaid no later than June 30, 2012.

Background. For more than sixty years, the California Labor Code has required that workers employed by contractors or subcontractors in the execution of public works contracts must be paid the state-determined prevailing wage.

The Division of Labor Standards Enforcement (DLSE), within the DIR, is the government agency primarily responsible for the enforcement of prevailing wage requirements on California public works projects. Beginning in 1989, the Legislature provided a statutory mechanism permitting political subdivisions of the state which award public contracts (awarding bodies) to initiate and enforce their own labor compliance programs (LCPs) in conjunction with the DIR and the DLSE. Awarding bodies on specified programs and public works projects were authorized to initiate and enforce a LCP, or to contract with a third party to do so.

Based on recommendations from the LAO citing the ineffectiveness of LCPs, with enactment of SBX2 9, the state began to move away from the LCP model and to move toward more direct oversight and enforcement of prevailing wage requirements on public works projects by the DIR.

Staff Comments. As noted above, this proposal would fund initial Public Works Labor Compliance Program start-up costs to: (1) develop the program structure; (2) perform a workload analysis on which to base future staffing levels; (3) conduct “test” audits in order to develop a fee schedule; and (4) write regulations. The Administration anticipates these activities would require the bulk of the 2009-10 fiscal year and that additional resources for the implementation and ongoing needs of the program would be requested through the 2010-11 budget process.

The primary question before the Committee with regard to this proposal is whether or not state coffers can support even the relatively small (\$1.3 million) loan necessary to jump-start the program. While it might be tempting to ask whether an alternative fund source can be found to provide the loan (e.g., the Labor and Workforce Development Fund discussed in LWDA item #1), staff notes that recent legislation has made balances in nearly every available fund “borrowable” by the GF, and so, for cash flow purposes, whether the loan is taken from the GF or a special fund is moot. Either way, when the state reaches the cash flow-negative months of summer (when expenditures are high and revenues low), every dime will be needed to “pay the bills,” and any funds loaned to this new program will be unavailable to meet other state obligations.

Staff Recommendation: HOLD OPEN pending additional information in the May Revise on the fiscal condition of the state.

Appendix A



Office of the Governor

ARNOLD SCHWARZENEGGER
THE PEOPLE'S GOVERNOR

PROCLAMATION

04/17/2009

State of Emergency - Unemployment Proclamation

PROCLAMATION

by the

Governor of the State of California

WHEREAS the people of California, like people throughout the nation and the world, continue to suffer from the current severe economic downturn; and

WHEREAS Californians have been hit hard by the mortgage and foreclosure crisis and the downturn in the housing market; and

WHEREAS in my prior Emergency Proclamation issued on February 27, 2009 in response to the drought, I noted that agricultural revenue losses exceed \$300 million to date and could exceed \$2 billion in the coming season, with a total economic loss of nearly \$3 billion in 2009; and

WHEREAS many businesses are shutting their doors in this difficult economy, and other employers are laying off workers, eliminating jobs or reducing employee hours and income in an effort to stay in business; and

WHEREAS the income and job losses have adversely impacted entire communities and diverse sectors of the economy supported by those jobs and income; and

WHEREAS these conditions are causing a loss of livelihood for hundreds of thousands of people, an inability to provide for families, and increased harm to the communities that depend on them; and

WHEREAS this loss of income and jobs continues to lead to defaults, foreclosures, bankruptcies, loss of businesses and loss of property; and

WHEREAS when jobs, property and businesses are lost, some families will move away from their communities, causing further harm to local economies, lower enrollments in local schools and reduced funding for schools; and

WHEREAS the economic downturn has provided graphic examples of how people are

struggling, including the growth of homeless tent cities around the country; and

WHEREAS on April 17, 2009, the State Employment Development Department (EDD) reported that the unemployment rate in California increased to 11.2 percent in March, that nonfarm payroll jobs declined by 62,100, that the year-over-change (from March 2008 to March 2009) showed a decrease of 637,400 jobs, and that the number of people unemployed in California was 2,080,000, up over 119,000 for the month, and up by 913,000 compared with March of 2008; and

WHEREAS in that same report, EDD indicated that there were 79,979 new claims for unemployment insurance in March 2009, compared with 76,303 in February 2009, and 48,282 in February 2008; and

WHEREAS EDD and the California Unemployment Insurance Appeals Board (CUIAB) have made significant efforts to expand its operations in response to the exponential increase in demand for their services, but more resources are needed to effectively serve the needs of Californians struggling in this economic downturn; and the services are of such an urgent nature that the delay incumbent in their implementation under state civil service and contracting rules would frustrate the very purpose of unemployment compensation under state law, and the federal stimulus payments under federal law; and

WHEREAS the circumstances of the economic downturn, and the circumstances of the resulting unemployment in California, by reason of their magnitude, are beyond the control of the services, personnel, equipment and facilities of any single county, city and county, or city and require the combined forces of a mutual aid region or regions to combat; and

WHEREAS under the provisions of section 8558(b) of the California Government Code, I find that conditions of extreme peril to the safety of persons and property exist in California caused by the current and continuing economic downturn and resulting unemployment in California.

NOW, THEREFORE, I, ARNOLD SCHWARZENEGGER, Governor of the State of California, in accordance with the authority vested in me by the California Constitution and the California Emergency Services Act, and in particular California Government Code sections 8625 and 8571, **HEREBY PROCLAIM A STATE OF EMERGENCY** to exist in California.

IT IS HEREBY ORDERED that all agencies of the state government utilize and employ state personnel, equipment and facilities for the performance of any and all activities consistent with the direction of the California Emergency Management Agency (CalEMA) and the State Emergency Plan.

I FURTHER DIRECT THAT:

1. EDD and the CUIAB shall, as deemed appropriate by the Labor and

Workforce Development Agency, contract for facility space, the services of qualified personnel, and/or for the supplies, materials, equipment, and other services needed to immediately and effectively increase EDD's and CUIAB's ability to assist the people making unemployment claims, contacting EDD, or appealing their claims. Because strict compliance with the provisions of the Government Code, the Unemployment Insurance Code, and the Public Contract Code applicable to the state hiring process and state contracts would prevent, hinder, or delay the mitigation of this emergency, applicable provisions of these statutes, including, but not limited to, advertising and competitive bidding requirements, are suspended to the extent necessary to enable EDD and CUIAB to enter into such contracts as expeditiously as possible. This suspension is limited to the scope and duration of this emergency.

2. State agencies and departments within my administration shall provide assistance and resources to EDD and CUIAB, as needed, including the use of state personnel, facilities, equipment, resources and state contractors to respond to this emergency.

3. State agencies including but not limited to the State Office of the Chief Information Officer (OCIO), the Department of General Services, the Department of Personnel Administration, and the Department of Finance shall expedite project, contracting, budget, and personnel action review and approval processes so as to expedite the hiring of EDD and CUIAB staff and the implementation of EDD and CUIAB information technology projects designed to expand and enhance unemployment insurance services, and personnel to support these efforts.

4. To the extent allowed by applicable law, state agencies within my administration shall prioritize and streamline permitting and regulatory compliance actions to provide for relief from the economic downturn and unemployment in California.

I FURTHER DIRECT that as soon as hereafter possible, this proclamation be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this proclamation.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 17th day of April, 2009.

ARNOLD SCHWARZENEGGER
Governor of California

ATTEST:
DEBRA BOWEN
Secretary of State

Appendix B – Comparison of 2008-09 and 2009-10 WIA 15 Percent Allocations

Projected WIA Revenue	2008-09 Budget Act	Revised SFY 2008-09	Proposed SFY 2009-10
State Allocation for WIA (Title I)	\$426.7	\$426.7	\$426.7 ¹
Less: Formula Allocations to Local Areas and Rapid Response	(\$362.7)	(\$362.7)	(\$362.7)
Discretionary WIA 15% Funds	\$64.0	\$64.0	\$64.0
WIA 15 Percent Carryforward Funds		\$5.7	
Total Estimated Available WIA 15 Percent Funds	\$64.0	\$69.7	\$64.0
61.35 WIA Administration and Program Services			
Employment Development Department	\$1.4	\$1.4	\$1.4
California Unemployment Insurance Appeals Board	\$0.1	\$0.1	\$0.1
California Workforce Investment Board (CalWIB) Administration	\$0.3	\$0.3	\$0.3
Audit, Compliance and Fraud Prevention	\$5.4	\$5.4	\$5.4
Labor Market Information Program	\$2.3	\$2.3	\$2.3
Local Program Oversight and Technical Assistance	\$8.2	\$8.7	\$8.7
Financial Management and Information Technology	\$2.4	\$3.0	\$2.4
Policy Development and Partner/Program Coordination	\$2.7	\$2.2	\$2.2
Clusters of Opportunity (CalWIB)	\$0.5	\$0.5	\$0.5
Total WIA Administration and Program Services	\$23.3	\$23.9	\$23.3
61.40 Growth Industries - High Wage/High Skill Job Training			
Community Colleges WIA Coordination/Program Integration	\$0.6	\$0.6	\$0.6
Sector Initiatives/Economic Stimulus	\$2.6	\$5.5	\$5.0
Incentive Grants	\$0.2	\$0.2	\$0.2
At Risk/Youthful Offender Gang Prevention	\$3.0	\$0.5	\$0.5
Green Technology/Green Collar Jobs	\$1.0	\$1.0	\$1.0
Total Growth Industries	\$7.4	\$7.8	\$7.3
61.50 Industries with a Statewide Need - Expansion of Workforce			
Health Care - Nurse Education Initiative	\$6.2	\$6.7	\$7.4
Sector Initiatives/Economic Stimulus	\$0.9	\$3.2	\$3.3
At Risk/Youthful Offender Gang Prevention	\$3.0	\$0.5	\$1.9
Critical Shortage Industries: Nurses/Healthcare/Infrastructure	\$3.1	\$6.5	\$7.9
Total Industries with a Statewide Need	\$13.2	\$16.9	\$20.5
61.60 Removing Barriers for Special Needs Populations			
Offenders			
CDCR Parolee Services	\$8.5	\$8.5	\$1.3
EDD Parolee Services	\$1.0	\$1.0	\$1.0
Incentive Grants	\$0.5	\$0.5	\$0.5
Services to Long-Term Unemployed	\$0.1	\$0.1	\$0.1
Veterans			
Governor's Award for Veterans' Grants	\$3.0	\$4.5	\$4.5
Veterans/Disabled Veterans' Employment Services	\$0.7	\$0.7	\$0.7
Engineer Training for Veterans		\$0.0	
Youth and Young Adults			
Department of Education WIA Coordination/Program Integration	\$0.4	\$0.3	\$0.4
Youth Grants	\$0.5	\$0.5	\$0.5
At Risk/Youthful Offender Gang Prevention	\$4.0	\$4.0	\$2.6
Green Technology/Green Collar Jobs	\$1.0	\$0.7	\$1.0
Low Wage Earners, Special Needs Populations, or Other	\$0.4	\$0.3	\$0.3
Total Removing Barriers for Special Needs Populations	\$20.1	\$21.1	\$12.9

¹The SFY 2009-10 state allocation is an estimation based on the SFY 2008-09 WIA allocation